

Land Rig Parent Limited
Annual report and financial statements
for the period from 19 December 2005 (Date of
Incorporation) to 31 December 2006

Registered Number 5657795



Land Rig Parent Limited

Annual report and financial statements

for the period from 19 December 2005 (Date of
Incorporation) to 31 December 2006

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Land Rig Parent Limited

Board of Directors and other officers

Board of Directors

LDC Corporate Director No 3 Limited
LDC Corporate Director No 4 Limited

Company Secretary

Law Debenture Corporate Services Limited

Auditors

Anderson, Anderson & Brown
6 Carden Place
Aberdeen
AB10 1UR

Registered office

Fifth Floor
100 Wood Street
London
EC2V 7EX

Land Rig Parent Limited

Directors' report for the period from 19 December 2005 (Date of Incorporation) to 31 December 2006

The directors present their directors' report and consolidated financial statements of Land Rig Parent Limited ("the Company") and its subsidiary undertaking (together "the Group") for the period ended 31 December 2006

Date of incorporation

The Company was incorporated on 19th December 2005. This set of financial accounts is for the period 19 December 2005 to 31 December 2006.

Business review and principal activities

The Company is a wholly owned subsidiary of The Law Debenture Intermediary Corporation PLC.

The Company's principal activity is that of a holding company, whose subsidiary undertaking's principal activity is the lease of drilling rigs to the oil and gas industry.

There have been no significant events since the balance sheet date.

The accounts are stated in dollars as the company conducts the majority of its affairs in that currency.

Taxation in Russia

At set up, the Group's taxation advice was that there would be no liability to Russian VAT arising out of the Group's principal activity. The Russian VAT authorities have challenged this position and the Group is engaged in legal proceedings before the Russian Court to establish that VAT is not payable. While the Court proceedings remain extant, the Group is obliged to pay VAT in Russia in accordance with demands from the authorities. The Group is robustly pursuing the legal action, acting on clear advice that the Russian VAT authorities are wrong to claim VAT from the Group. The directors believe that the case will be proved in the Group's favour and that all amounts of VAT paid to date, and payable at future dates, will be recovered in due course from the Russian authorities.

Principal risks and uncertainties

Recognising and managing risk is an inherent part of the management culture. The Group is exposed to foreign exchange risk as a result of the requirement to pay Russian VAT in the local currency, Roubles. For the period under review, exchange rate movements meant that there was a foreign exchange gain. The directors believe that, in the event of any future exchange rate losses, these will be recoverable from the lessor and/or Abbot Group Plc in accordance with the terms of the legal documentation governing the Group's activities. The directors have concluded that the Group does not bear any interest rate risk, credit risk, liquidity risk or price risk, so long as its counterparts comply with their obligations under the transaction documentation in a timely way.

Environment

The Company recognises the importance of its environmental responsibilities, and has policies in place to manage its impact on the environment.

Employees

Neither the Company nor the Group had any employees at anytime during the period.

Land Rig Parent Limited

Results and dividends

The Company did not trade during the period. The Group's profit after tax for the period transferred to reserves was US\$10,216. The directors do not propose the payment of a dividend. The directors remain confident that, so long as the legal action for VAT recoverability referred to above is won, the Group's cash flow forecasts indicate that the Group will remain profitable and that it therefore remains a going concern.

Directors

The directors who served during the period were as follows:

LDC Corporate Director No. 3 Limited (appointed 19 December 2005)

LDC Corporate Director No. 4 Limited (appointed 19 December 2005)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 December 2006 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement as to disclosure of information to auditors

- a) So far as each director is aware, there is no relevant audit information of which the auditors are unaware, and
- b) Each of the directors has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Anderson, Anderson & Brown were appointed as auditors during the period and have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



Sharon Tyson

Representing Law Debenture Corporate Services Limited
Secretary

Land Rig Parent Limited

Independent Auditors' Report to the Members of Land Rig Parent Limited

We have audited the group and parent company's financial statements of Land Rig Parent Limited for the period ended 31 December 2006 which comprise of the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Land Rig Parent Limited

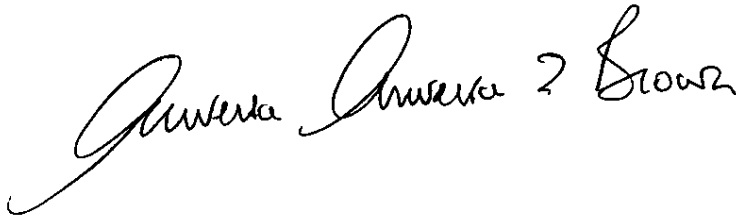
Fundamental uncertainties

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the possible outcome of a Court case relating to recovery of Russian VAT amounting to £4.39m. Failure to recover this amount would materially affect the ability of the company to continue as a going concern. Details of the circumstances relating to these fundamental uncertainties are described in note 1. Our opinion is not qualified in this respect.

Unqualified Opinion

In our opinion -

- the accounts give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the group's and parent company's affairs as at 31 December 2006 and of the group's profit for the period then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information provided in the directors' report is consistent with the accounts



Anderson Anderson & Brown
Chartered Accountants and Registered Auditors
Aberdeen

19 February 2008

Land Rig Parent Limited

Consolidated Income statement for the period from 19 December 2005 (Date of Incorporation) to 31 December 2006

| | Note | 19 December 2005 to 31 December 2006 US\$ |
|---|------|--|
| Continuing operations | | |
| Revenue | | 1,000,952 |
| Cost of sales | | 48,503 |
| Gross profit | | 952,449 |
| Administrative expenses | | 63,509 |
| Exchange gain | | (105,547) |
| Operating profit | | 994,487 |
| Finance costs | 4 | 981,871 |
| Profit before taxation | 6 | 12,616 |
| Taxation | 7 | 2,400 |
| Profit for the period from continuing operations | | 10,216 |

The Group has no recognised gains and losses in the period other than those included within the income statement

There is no material difference between the profit before taxation and the profit for the period from continuing operations stated above, and their historical cost equivalents

The Company has taken advantage of the exemption in Section 230 of the Companies Act 1985 not to present its own profit and loss account

Land Rig Parent Limited

Balance sheet as at 31 December 2006

| | Note | Group 2006 US\$ | Company 2006 US\$ |
|---|------|-----------------------|-------------------------|
| Assets | | | |
| Non-current assets | | | |
| Investments | 8 | - | 2 |
| | | - | 2 |
| Current assets | | | |
| Cash and cash equivalents | | 337,169 | - |
| Trade and other receivables | | | |
| Amounts falling due after one year | 9 | 22,121,267 | 2 |
| Amounts falling within one year | 9 | 6,093,437 | - |
| | | 28,551,873 | 2 |
| Total Assets | | 28,551,873 | 4 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 386,013 | 2 |
| Financial liabilities – borrowings | 11 | 2,492,862 | - |
| | | 2,878,875 | 2 |
| Non current liabilities | | | |
| Financial liabilities – borrowings | 11 | 25,662,780 | - |
| Total liabilities | | 28 541,655 | 2 |
| Net assets | | 10 218 | 2 |
| Capital and reserves attributable to company's equity shareholders | | | |
| Share capital | 12 | 2 | 2 |
| Retained earnings | 13 | 10,216 | - |
| Total shareholder's equity | 14 | 10 218 | 2 |

The financial statements on pages 6 to 15 were approved by the board of directors and were signed on its behalf by



Ian Bowden
Representing LDC Corporate Director No. 3 Limited
Director

19 February 2008

Land Rig Parent Limited

Cash flow statement for the period from 19 December 2005 (Date of Incorporation) to 31 December 2006

| | Note | Group 19 December 2005 to 31 December 2006 US\$ | Company 19 December 2005 to 31 December 2006 US\$ |
|--|------|--|--|
| Cash flows from operating activities | | | |
| Net cash (used in) operating activities | 15 | (27,106,604) | - |
| Cash flows from investing activities | | | |
| Investment in subsidiary | | - | (2) |
| Interest paid | | (711,871) | - |
| Net cash used in investing activities | | (711,871) | (2) |
| Cash flows from financing activities | | | |
| Proceeds from share issues | | 2 | 2 |
| Proceed from bank loan | | 24,415,000 | - |
| Proceed from other loan | | 4,394,700 | - |
| Repayment of capital of loans | | (654,058) | - |
| Net cash inflow from financing activities | | 28,155,644 | 2 |
| Net increase in cash and cash equivalents | | 337,169 | - |
| Cash and cash equivalents at 20 December 2005 | | - | - |
| Cash and cash equivalents at 31 December 2006 | | 337,169 | - |

Cash and cash equivalents as set out above on the cash flow statement include overdraft facilities which form part of the Company's cash management

Land Rig Parent Limited

Notes to the financial statements for the period from 19 December 2005 (Date of Incorporation) to 31 December 2006

1 Fundamental uncertainties

The accounts have been prepared on a going concern basis, which assumes that the group will continue to meet its liabilities as they fall due

Within other receivables of the subsidiary, Land Rig SPV Limited, is an amount of \$4.39 million representing VAT recorded as recoverable in Russia. The Russian tax authorities are challenging reimbursement of this VAT and the matter is only capable of being resolved through the Russian court system. Failure to recover this sum would have a material effect on the accounts as presented and on the group's ability to continue as a going concern.

The subsidiary has a five year contract which is forecast to generate annual revenues of \$3.46 million. This is insufficient to meet its annual obligation under its commitments of \$4.06 million in the event of non recovery of Russian VAT as noted above.

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention. A summary of the more important Company accounting policies is set out below.

The Company was incorporated on 19 December 2005. These financial accounts are for the period from the date of incorporation to 31 December 2006.

3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company made up of 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated or deconsolidated from the effective date control is transferred to or from the Company. On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any excess of the identifiable net assets over the cost of acquisition is recognised directly in the income statement.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation where necessary adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Land Rig Parent Limited

Investments

Investments held as fixed assets are shown at cost less appropriate provision where the directors consider that impairment in value has occurred. Investments are considered for impairment at least annually.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits with maturities of less than three months held with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Fair values of non-derivative financial assets and financial liabilities

The fair value of trade and other receivables, and trade and other payables are approximate to carrying amounts.

Foreign currencies

Transactions denominated in foreign currencies are translated and recorded at the rate of exchange ruling at the date of the transaction or contracted rates where appropriate. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the exchange rates ruling at the balance sheet date. Translation gains or losses are included in the income statement for that period.

Functional and presentation currency

The financial statements are presented in US dollars, which is the functional currency.

Taxation

The tax charge represents the sum of tax currently payable and deferred tax. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the income statement due to items that are not taxable or deductible in any period and also due to items that are taxable or deductible in a different period. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, tax losses carried forward and, in relation to acquisitions, the difference between the fair values of the net assets acquired and their tax base. Tax rates enacted, or substantially enacted, by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Finance leases and hire purchase contracts

Amounts receivable under finance leases and hire purchase contracts are included in debtors and represent the total amount outstanding under lease agreements less unearned income. Finance lease income, having been allocated to accounting periods to give constant periodic rate of return on the net cash investment, is included in turnover.

Land Rig Parent Limited

Revenue

Revenue which excludes value added tax, represents the invoiced value of goods and services supplied in Russia and the United Kingdom

Disclosure of impact of future accounting standards

We do not anticipate that pending standards will have any material impact on the Company's financial statements

4 Finance costs and income

| | 2006 US\$ |
|--------------------|--------------|
| Finance costs | |
| Bank interest paid | 981,871 |
| Finance costs | 981 871 |

5 Directors and employees

None of the directors who served during the year received any emoluments in respect of their services to the Company or Group

The Company and Group had no employees at any time during the period

Land Rig Parent Limited

6 Profit before taxation

The following items have been included in arriving at profit before taxation

| | Group 2006 US\$ |
|---|--------------------------------|
| Hire purchase and finance lease interest income | 1,000,952 |

Audit Remuneration

Services provided by the Group's auditors and network firms

During the year the Group obtained the following services from the Group's auditor at the following costs

| | 2006 US\$ |
|---|----------------------|
| Audit services | |
| Fees payable to Company's auditor for the audit of Company accounts | 10,000 |
| Non audit services | |
| Other services | 2,894 |

7 Taxation

Analysis of charge for period

| | 2006 US\$ |
|------------------|----------------------|
| Total tax charge | 2,400 |

The tax assessed does not materially differ from the current tax assessment which would result from applying the relevant rate of tax at 19% to the profits before taxation

8 Investments

| | Company 2006 US\$ |
|------------------------------------|----------------------------------|
| Shares in Group undertaking | |
| Additions | 2 |
| At 31 December 2006 | 2 |

During the year, the company acquired the whole of the share capital of Land Rig SPV Limited, a Company registered in England and Wales whose principal activity is the leasing of drilling rigs to the oil and gas industry

Land Rig Parent Limited

9 Trade and other receivables

| | Group 2006 US\$ | Company 2006 US\$ |
|---|-----------------------|-------------------------|
| Trade receivables | 355,010 | - |
| Amounts owed by Group undertaking | - | 2 |
| Other receivables | 4,193,942 | - |
| Net investments on hire purchase and finance leases | 23,665,752 | - |
| | 28,214,704 | 2 |

Included within net investments on hire purchase and finance leases is an amount of \$22,121,267 which is due in greater than one year

10 Trade and other payables

| | Group 2006 US\$ | Company 2006 US\$ |
|------------------------------------|-----------------------|-------------------------|
| Trade payables | 383,415 | - |
| Amounts owed to group undertakings | 198 | 2 |
| Corporation tax | 2,400 | - |
| | 386,013 | 2 |

11 Financial liabilities - borrowings

| | Group 2006 US\$ | Company 2006 US\$ |
|--------------------------|-----------------------|-------------------------|
| Current loans | | |
| Bank loan | 1,863,582 | - |
| Other loan - unsecured | 629,280 | - |
| | 2,492,862 | - |
| Non current loans | | |
| Bank loan | 22,108,086 | - |
| Other loan - unsecured | 3,554,694 | - |
| | 25,662,780 | - |
| Total borrowings | 28,155,642 | - |

The bank loan is secured over the assets of the Company

Land Rig Parent Limited

12 Share capital

| | Group 2006 US\$ | Company 2006 US\$ |
|--------------------------------|-----------------------|-------------------------|
| Authorised | | |
| 100 ordinary shares of £1 each | 195 | 195 |

On 20 December 2005 the Company established an authorised share capital of 100 £1 ordinary shares

| | Group 2006 US\$ | Company 2006 US\$ |
|---|-----------------------|-------------------------|
| Issued | | |
| Issue of shares | 2 | 2 |
| At 31 December 2006 1 ordinary share of £1 each | 2 | 2 |

During the period 1 £1 ordinary share was issued at par

Land Rig Parent Limited is a limited company incorporated and domiciled in England and Wales

13 Retained earnings

| | Group 2006 US\$ | Company 2006 US\$ |
|----------------------------|-----------------------|-------------------------|
| Profit for the period | 10 216 | - |
| At 31 December 2006 | 10,216 | - |

14 Statement of changes in shareholders' equity

| Group | Share Capital US\$ | Retained Earnings US\$ | Total US\$ |
|----------------------------|--------------------------|------------------------------|---------------|
| Issue of shares | 2 | - | 2 |
| Profit for the period | - | 10 216 | 10,216 |
| At 31 December 2006 | 2 | 10,216 | 10,218 |

Land Rig Parent Limited

15 Cash generated from operations

| | Group 2006 US\$ | Company 2006 US\$ |
|---|-----------------------|-------------------------|
| Profit of the period | 10,216 | - |
| Adjustments for | | |
| Net finance cost | 711,871 | - |
| Changes in working capital | | |
| (Increase) in trade and other receivables | (28,214,704) | (2) |
| Increase in trade and other payables | 386,013 | 2 |
| Cash used in operations | (27,106,604) | - |

16 Related party transactions

The following balances relate to transactions carried out with group undertakings

| | Group 2006 US\$ | Company 2006 US\$ |
|------------------------------------|-----------------------|-------------------------|
| Amounts owed to group undertakings | 198 | 2 |
| Amounts owed by group undertakings | - | 2 |

Transactions with group undertakings

| | Group 2006 US\$ | Company 2006 US\$ |
|---------------------------------|-----------------------|-------------------------|
| Investment in group undertaking | - | 2 |
| Issue of shares | (2) | (2) |
| Cash advance | 200 | - |

17 Ultimate parent undertaking

The Company is a wholly owned subsidiary of The Law Debenture Intermediary Corporation PLC which is incorporated in England and Wales which is also the Company's ultimate parent undertaking, the shares being held under a trust arrangement. Copies of the financial statements of The Law Debenture Intermediary Corporation PLC may be obtained from Law & Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London, EC2V 7EX.